

Separate Volume II

**Implementation Status of Plan to
Reinforce Relationship Banking
Function**

THE HACHIJUNI BANK, LTD.

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Summary of progress status of plan to reinforce relationship banking function

1. Actions aiming to revitalize finance for small businesses

(1) Reinforcement of support function for business start-ups and new businesses

The Bank established Investment Funds for ¥3 billion in total and ¥0.7 billion in total respectively in November 2003 and September 2004, to cultivate, assist and to foster small and midsize firms with growth potential. Actual investment projects implemented with these Funds up to September 2004 were 30 in the number and ¥861 million in the amount.

(2) Reinforcement of management consultation and support function provided to customers

The Bank established a system through which business branches and head quarter departments can consult with professionals via the Internet so that bank employees are able to quickly respond to customers' inquiries in April 2004. The Bank also strengthened its efforts to perform business matching services and introduced Portal Sites for corporate customers in October 2004. The Bank aggressively provides assistance to corporate customers for them to make a presentation at business talk meetings.

(3) Organizational arrangement to assist prompt business rehabilitation and to prevent emergence of new non-performing loans

The Bank has been making efforts to assist customers in achieving their prompt rehabilitations mainly through works by a Business Support Special Team that was established in headquarter. As a result of these efforts, rehabilitation has progressed based upon a management improvement plan and 100 customers succeeded in improving their management results during a period between April 2003 and September 2004.

In addition, attributing to a project to improve asset quality started in the first half of fiscal year 2003, ratio of non-performing loans to total credits as of September 30, 2004 improved 2.19% from March 31, 2004 to 7.35%.

Further, the Bank established a business rehabilitation fund named "Display Energy Quick Shinshu Fund" (¥3 billion in total) in February 2004 jointly with financial institutions in Nagano Prefecture and Nagano Prefectural Government, which has been well utilized in alliance with Small Business Rehabilitation Support Center.

Besides, the Bank held six seminars by types of industry, at which customers and bank employees study together, two in November 2003 for construction business and hotel business, one in February 2004 for manufacturing business (production management), three in August 2004 for brewing industry, manufacturing business and retail industry.

(4) Actions for new finances to small businesses

The Bank started applying a scoring examination model to certain financial products for small and midsize corporations in April 2004. In addition to loans secured by account receivables, which the Bank has been aggressively selling to assist customers in diversifying their financing measures, it launched guaranty factoring services partnering with outside institutions in July 2004.

(5) Arrangement of explanation system, reinforcement for consultation and claim handling functions

The Bank has thoroughly instructed business branch staff to fully explain to borrowers, conditions and details of loan agreement before making loans to them, and has directed them also to confirm the accountability rules to be observed in the event that they have to turn down customers' borrowing applications.

At a "Regional Finance Facilitation Meeting", views were exchanged concerning status of receiving claims from customers via "Hot Line" regarding bank's reluctance to lend and credit withdrawal and all business branches were kept informed of the need to prevent such behaviors. Further, the Bank reviewed its rules how to respond to customers claims and reinforced its system to prevent recurrence of such claims.

(6) Efforts to secure soundness of financial institutions and to achieve profitability improvement

To continue to perform strict self-assessment practices, the Bank revised its current rules and procedure manuals for the self-assessment and improved a system to verify the appropriateness of collateral assessment to enhance its accuracy. It also continues to step up its efforts to improve profitability.

2. Evaluation of the progress

In the first half of fiscal year ended March 31, 2004, which was the first term for implementation of the relationship banking function reinforcement plan, the Bank conducted studies and preparations for various projects, and in the second half, it succeeded in getting such projects on the track. During the six months ended September 2004, such projects have been steadily implemented with efforts being made in accordance with the original reinforcement plan. This reinforcement plan is incorporated in a short-term management plan for the latter half of fiscal year 2004, and further efforts will be made to finalize the plan. The long-term plan covering a period starting from fiscal 2004 and ending 2006 also emphasizes the reinforcement of relationship with the regional community as an important management issue.

II. Progress status of each plan item based on the Action Program

Item	Specific actions	Schedule		Progress Status		Remarks (Details of Plan)
		FY 2003	FY 2004	2003/4 ~2004/9	2004/4 ~2004/9	
I. Actions aiming toward revitalization of small businesses						
1. Reinforcement of support function for business start-ups and new business						
(1) Reinforcement of credit review skill level, for instance by assignment of account officers by type of industry	To verify appropriateness of new business startup issue items using external institutions. To setup project examination meeting to be held by business promotion officers and examination officers.	To study how to use external institutions. To establish project examination meeting to be held by officers of Business Promotion Department and Credit Supervision Dept.	To upgrade examination competence by type of industry by a meeting held by business branches by type of industry.	<ul style="list-style-type: none"> Held training session for employees regarding technology assessment Held meetings by industries. Entered into an agreement with outside consultant concerning production management. Held project examination meetings from time to time. 	<ul style="list-style-type: none"> Credit Supervision Department and was reorganized to Credit Department and Business Consulting Office. Credit Department is divided into 5 groups with which credit examination system by industries will be strengthened. 	<ul style="list-style-type: none"> To utilize technology analysis result of external institutions for examination of project applications, as needed. To hold a periodic meeting by officers responsible for new business project of Business Promotion Department with staff of Research group of the Credit Supervision Department for the purpose of sharing information, and to establish an examination meeting for project applications (from FY 2003) To try to understand general trend concerning new businesses projections provided by Nagano Economic Research Institute or administrative authorities to make use of them to examine project applications. To improve examination competence by holding a meeting with business branches by type industry (from FY 2004)
(2) Holding of training seminar for the purpose of fostering personnel who can accurately assess the potential and technological competence of enterprises.	To enhance in-house training program and strengthen practices of sending or dispatching personnel to outside training program or to external institutions	To enhance "Corporate Banking Training" and proactively have personnel participate in outside training	To enhance holiday training system and strengthen practice for dispatching personnel to outside firms or institutions	<ul style="list-style-type: none"> Besides the initial plan, "Corporate Business Reform Study Forum" was held as a training session for employees to gain connoisseur and consulting skill. 	<ul style="list-style-type: none"> Implemented "Corporate Business Training" Held "Corporate Business Study Forum". Voluntary participating trainings for 13 themes were implemented. Dispatched 4 employees to "Enterprise Values Study Seminar" sponsored by Regional Banks Association. 	<ul style="list-style-type: none"> To add the subject of "business potential assessment" to Corporate Banking Training (four times a year for about 80 employees) To send employees to "Seminar to Study Enterprise Values" held by Regional Banks Association of Japan (from the 2nd half of FY 2003) To newly dispatch employees to outside companies (about two employees in FY 2004)

Item	Specific actions	Schedule		Progress Status		Remarks (Details of Plan)
		FY 2003	FY 2004	2003/4 ~2004/9	2004/4 ~2004/9	
(3) Construction and practical use of industry/government/academia network, and allies with Development Bank of Japan. Participation in "Industry Cluster Support Conference".	To construct industry-government-academia network and participate in Industry Cluster Support Finance Conference.	To develop investment and loan businesses using external institutions.	To study construction of industry-government-academia network	<ul style="list-style-type: none"> Exchanged information with Nagano Prefecture Techno Foundation and Small Business Support Center Established route to tie with Shinshu TLO and Shinshu University Community Joint Research Center Established investment funds (¥3.7 billion in total) Had employees attend "Industry Cluster Support Financial Forum" 	<ul style="list-style-type: none"> Established No.4 Investment Business Association (¥0.7 billion) Established a route to consult project matters with Shinshu TLO and Shinshu University. 	<ul style="list-style-type: none"> To try to strengthen ties with Nagano's extra governmental organization. To consider the establishment of No.3 Investment Business Association (in the 2nd half of FY 2003) To try to find needs for loans and business matching by participating in Industry Cluster Support Finance Conference.
(4) Reinforcement of information sharing and syndication in investments and/or loans with Development Bank of Japan, Japan Finance Corporation for Small Businesses and Central Co-operative Bank for Commerce and Industry to develop businesses with venture companies.	To study possibility of syndicated investment and development of new financial products for venture companies.	To hold a research seminar concerning investment and loan systems and know how to foster venture businesses.	To study development of new loan products	<ul style="list-style-type: none"> Entered into business collaboration agreement with Development Bank of Japan and continuously exchanged information. Exchanged information regarding collaboration arrangement with Central Cooperative Bank of Commerce. 	<ul style="list-style-type: none"> Held meeting to study new financial scheme to offer to venture businesses with Development Bank of Japan Strengthened ties with Technology Business Support Center of Development Bank of Japan. 	<ul style="list-style-type: none"> To hold periodic information exchange meetings with Development Bank of Japan (FY 2003 ~) To study possibility of using syndicated investment and loan depending on loan applications. To consider development of new loan products for venture businesses. (FY 2004)
(5) Utilization of Small Business Support Center	To reinforce ties with the Center for the purpose of business opportunities finding and providing support for management reform.	To hold information exchange meetings with the Center and utilize its enterprise assessment function	The same as on the left	<ul style="list-style-type: none"> Participated in Regional Platform Financial Workshop and introduced our Bank's new business support systems. Held study session concerning projects applied to Connoisseur Committee Held a study session for our Bank's investment business association with the Center. 	<ul style="list-style-type: none"> Studied whether assessment result obtained by the Connoisseur Committee can be applied to the Bank's credit system. 	<ul style="list-style-type: none"> To periodically hold information exchange meetings and try to construct network with the Support Center. To provide support to customers striving for management reform using know how of the Support Center.

Item	Specific actions	Schedule		Progress Status		Remarks (Details of Plan)
		FY 2003	FY 2004	2003/4 ~2004/9	2004/4 ~2004/9	
2 Reinforcement of management consultation and support function provided to customers						
(1) Improvement in the scheme to provide management information and business matching opportunity information to customers	To strengthen business-matching support using Regional Bank Network and also strengthen M & A businesses.	To consider installation of portal-site for corporate customers. To develop and strengthen human resources for M & A related businesses	To strengthen business-matching support by attending business talk meetings. To hold M & A seminar.	<ul style="list-style-type: none"> Prepared installation of portal-site for corporate customers. Started handling of "Regional Bank Information Network" in November. A site was introduced thru which account officers consult with professionals Reinforcement of business matching services Performed introduction of customers to business talk meeting. Accumulation of M&A know how through construction of network with professionals such as lawyers. 	<ul style="list-style-type: none"> Started preparation for installation of portal-site in October. Reinforcement of business matching services. Performed introduction of customers to business talk meeting. 	<ul style="list-style-type: none"> To study installation of portal-site for corporate customers and strengthen business-matching support from the 2nd half of FY 2003. To explore opportunities for wide range business-matching support making use of Regional Bank Network (from the 2nd half of FY 2003). To enhance the training courses for M & A businesses and hold related seminars for customers (from 2nd half of FY 2004)
(3) Turning loans under observation normal and sound, and improvement and reinforcement of systems to prevent additional emergence of nonperforming loans and disclosure of such effort result.	Refer to the Attachment 3-2, 3-3 and 3-4					
(4) Implementation of training or seminars for the purpose of improving small business support skill	To enhance in-house training program and strengthen practices of dispatching employees to outside training and outside firms	To enhance "Corporate Banking Training" and proactively let employees participate in outside training	To enhance holiday training system and strengthen practices of dispatching employees to outside firms	<ul style="list-style-type: none"> Besides the initial plan, "Corporate Business Reform Study Forum" was held as a training session for employees to gain business management know how and consulting skill. 	<ul style="list-style-type: none"> Implemented "Corporate Business Training" Held "Corporate Business Study Forum" . Held voluntary participating trainings for 15 themes Decided to dispatch 6 employees to "Enterprise Values Study Seminar" sponsored by Regional Banks Association. 	<ul style="list-style-type: none"> To add the subject of "business potential assessment" to Corporate Banking Training (four times a year for about 80 employees) To send employees to "Small Enterprise Management Support Seminar" held by Regional Banks Association of Japan (from 2nd half of FY 2003) To dispatch employees to outside companies

Item	Specific actions	Schedule		Progress Status		Remarks (Details of Plan)
		FY 2003	FY 2004	2003/4 ~2004/9	2004/4 ~2004/9	
(5) Cooperation for "Development Program for Regional Community Financial Human Resource Development System"	To hold seminars by types of industry or by themes, or provide support to "Qualification Acquisition Support Seminar" sponsored by outside institutions.	The same as on the left	To provide support to "Development Program for Regional Community Financial Human Resource Development System"	• Held seminars by industries for six times in all.	• Held seminars for brewing industry, manufacturing industry and retail business. • Offered cooperation to "Qualification Acquisition Support Seminar" sponsored by Management Association of Nagano Prefecture.	• To hold seminars by type of industry such as hotel industry, construction, manufacturing, commerce and other industries for the purpose of enhancing know how of improving business management or financial standings with customers. • To provide support to "Qualification Acquisition Support Seminar" sponsored by Management Association of Nagano Prefecture. • To provide support to Development Program for Regional Community Financial Human Resource Development System (from FY 2004).
3. Proactive actions toward prompt business revitalization						
(1) Actions to eliminate excessive debts structure of small businesses and revitalize ailing companies. Promptly initiate the support for business rehabilitation with full understanding of the intent stipulated in "Prompt Business Revitalization Guidelines".	To strengthen coordination with external institutions and adopt proper revitalization methods.	To enhance revitalization know how by holding information exchange meetings with external institutions.	To let revitalization examples make known to, and be made use of, by bank employees concerned	• Implemented reshuffling of rehabilitation plans for customers being provided with rehabilitation support. • Realized prompt finalization of rehabilitation plan for customers subject to Corporate Rehabilitation Law	• Realized prompt finalization of rehabilitation plan for customers to which rehabilitation support is provided partnering with Development Bank of Japan and other regional banks.	• To consider actions for business rehabilitation using Civil Rehabilitation Law and Private Liquidation Guidelines. • To try to achieve know-how-sharing and skill up of account officers of Head Quarter and branches through study sessions and trainings using revitalization examples.
(2) Actions to create "Business Revitalization Fund" for regional small businesses.	To select candidate borrowers and consider setting-up "Revitalization Funds"	To select candidate borrowers and consider setting-up "Revitalization Funds" using external institutions.	To study setting-up of the fund for each borrower with Resolution and Collection Corporation and government-affiliated financial institutions.	• Organized a "Display Energy Quick Shinshu Fund" jointly with Nagano Prefecture government and financial institutions in Nagano.	Use of "Display Energy Quick Shinshu Fund"	• To select candidate borrowers, and conduct a study of financial standings of each one of them with fund managers of RCC and government-affiliated financial institutions (from 2nd half of FY 2003). • To setup revitalization funds based on the study result (in FY 2004).
(3) Utilization of debt-equity-swap and DIP finance, etc.	To pick up candidate borrowers and review individually.	To pick up candidate borrowers and review individually.	To implement the utilization based on the review results	[DIP Finance] • Performed two DIP finances for candidate borrowers • Held an in-house seminar regarding Civil Rehabilitation Law and New Company Rehabilitation Law [DES] • Now studying for one DES.	[DES] • Now studying for one DES.	• To select candidate borrowers and review individually (from 2nd half of FY 2003) • To use DES, and/or DIP Finance scheme depending on the review results. *DIP Finance Generic term for a timely and appropriate financing such as loans to enterprises for which petition for rehabilitation has been filed under Civil Rehabilitation Law or for which M & A has been arranged. *Debt Equity Swap A revitalization method to reduce debts using a scheme of debt equity swap

Item	Specific actions	Schedule		Progress Status		Remarks (Details of Plan)
		FY 2003	FY 2004	2003/4 ~2004/9	2004/4 ~2004/9	
(4) Utilization of RCC's trust function such as "Small Business Rehabilitation Type Trust Scheme", etc.	To try to enhance individual review to be conducted with RCC's account officers, and in-house training sessions	To pick up candidate borrowers and review individually.	To implement the utilization based on the review results	<ul style="list-style-type: none"> Held training session by RCC trust officers Applications for RCC Trust were submitted by two candidate borrowers, but they were turned down due to failure in meeting RCC conditions. 	<ul style="list-style-type: none"> Study is being continued. 	<ul style="list-style-type: none"> To select candidate borrowers and review individually (from 2nd half of FY 2003) To use Small Business Rehabilitation Type Trust Scheme depending on the review results. <p>* RCC: Resolution and Collection Corporation</p>
(5) Use of Industrial Revitalization Corporation	Pick up candidate borrowers and review individually.	To pick up candidate borrowers and review individually.	Implement the rehabilitation measures based on the review results	<ul style="list-style-type: none"> Conducted study mainly for hotel business. 	<ul style="list-style-type: none"> Study is being continued. 	<ul style="list-style-type: none"> Pick up candidate borrowers and review individually (from 2nd half of FY 2003) Use revitalization scheme adopted by Industrial Revitalization Corporation depending on review results.
(6) Cooperation with Small Business Revitalization Support Conference and utilization of its functions	To promote utilization of the Conference's functions and strengthen coordination with it.	To hold information exchange meetings with Business Revitalization Support Center.	To discuss individual issue items with the Conference and the Center thereby strengthen ties with them.	<ul style="list-style-type: none"> Exchanged views regarding establishment and management of the Small Business Revitalization Conference Held information exchange meeting from time to time, and selected project items Held seminar sponsored by the Small business Revitalization Support Center. 	<ul style="list-style-type: none"> Offered rehabilitation support to customers using "Display Energy Quick Shinshu Fund" based on management improvement plan formed by Small Business Rehabilitation Support Center. 	<ul style="list-style-type: none"> To strengthen linkage with Business Revitalization Support Center, which belongs to the Small Business Revitalization Support Conference and to use various functions of the Center (from 1st half of FY 2003) To discuss individual project with the Conference and the Business Revitalization Support Center thereby strengthen ties with them.
(7) Implementation of training or seminar for the purpose of fostering Turn-around Specialists who support business revitalization.	To enhance in-house training sessions and reinforce practices of sending and dispatching employees to outside seminars and companies.	To enhance various training sessions and continue to dispatch employees to outside companies.	The same as on the left	<ul style="list-style-type: none"> Besides the initial plan, additionally implemented "Lending Business Skill Up Training" to improve management ability of personnel in credit managerial positions, which is prerequisite for offering business rehabilitation support. 	<ul style="list-style-type: none"> Held "In-house Group Training" seminars for four times. Held voluntary participation training session for 12 themes Dispatched four employees to "Enterprise Rehabilitation Practical Operation Seminar" sponsored by Regional Banks Association. Additionally implemented "Lending Business Skill Up Training". 	<ul style="list-style-type: none"> To enhance in-house training sessions by skill levels (primary class, middle class, high class, highest class) (from 2nd half of FY 2003). To send bank employees to "Business Rehabilitation Practical Operations Seminar" sponsored by Regional Banks Association of Japan (from 2nd half of FY 2003) To continue to dispatch bank employees to outside companies.

Item	Specific actions	Schedule		Progress Status		Remarks (Details of Plan)
		FY 2003	FY 2004	2003/4 ~2004/9	2004/4 ~2004/9	
4. Reinforcement of actions toward new finances to small businesses						
(1) Promotion of lending not excessively depending on collaterals and/or guarantees. How is the third party guarantee to be used.	To carry out thorough employee education. To use scoring method for credit examination.	To enhance various meeting and training sessions and to study the introduction of scoring model for credit examination.	To introduce scoring model for credit examination and establish a model of credit risk management system.	<ul style="list-style-type: none"> Now strictly observing established rules and standards. Re-confirmed lending stance focusing on understanding of actual conditions of borrowers at the Regional Credit Meetings Provided training to new employees for the subject of collaterals and guarantees. Decided to apply an examination using scoring model to certain products to speed up credit examination 	<ul style="list-style-type: none"> Applied examination scheme using scoring model to certain products. Thoroughly re-educated employees how to handle collaterals and guarantees at the Lending Business Skill Up Training. Improved in-house system aiming for introduction of DDS. Studying product using "restrictive financial covenant" (plan to launch in the 2nd half of FY2004) 	<ul style="list-style-type: none"> To thoroughly educate employees not to take a lending posture excessively depending on collaterals and/or guarantees in Lending Officers Meeting held by regions and also in various finance training sessions (from 2nd half of FY 2003) To improve credit examination systems by utilization of a scoring model for credit examination and restrictive financial covenant. <p>*DDS: Debt Debt Swap = A rehabilitation method to change a portion of existing debts to subordinated borrowings (borrowing payment of which is subordinated to general borrowing liabilities)</p>
(3) Actions toward securitization, etc.	To study securitizations with an eye on utilization of allies with external institutions and/or with SPC (Special-Purpose Company)	To study securitization scheme and review if it is possible to use it.	To construct a structure to carry out the scheme depending on the review results and by using external tie-ups.	<ul style="list-style-type: none"> Collected information through proposals of debts securitization scheme from city banks, trust banking corporations, and securities firms. Participated in a "Management Plan Study Session" held by Regional Banks Association of Japan and exchanged information and views. Started securitization of account receivable (purchase) using servicer subsidiaries. Started handling of factoring with guaranty tying up with outside financial institutions. 	<ul style="list-style-type: none"> Started handling of factoring with guarantee tying up with outside financial institutions. 	<ul style="list-style-type: none"> To study a scheme possible to carry out with an eye on external tie-ups and to review if it is possible to implement it (from FY 2003) To study the possibility and efficacy of CLO (securitization of loan claims) to be jointly carried out with local financial institutions (from 1st half of FY 2003). To study a joint incorporation of SPC (Special-Purpose Company).

Item	Specific actions	Schedule		Progress Status		Remarks (Details of Plan)
		FY 2003	FY 2004	2003/4 ~2004/9	2004/4 ~2004/9	
(4) Improvement of loan programs for small businesses, the degree of accuracy for which financial statements is comparatively high	To study a speedy examination skill by improving handling method and scoring method.	To study improvement plan for credit examination by scoring.	To study the streamlining of administrative operational works and to improve such operations based on the review result.	<ul style="list-style-type: none"> • Found causes for poor performance in loan businesses and now studying measures for improvement • Conducted hearing from other banks about their approaches. 	<ul style="list-style-type: none"> • Studied implementation of examination using scoring model. 	<ul style="list-style-type: none"> • To pick up problems regarding products (from 1st half of FY 2003) • To study utilization of scoring method for credit examination (in FY 2004) • To study product improvement using guarantee corporations (in FY 2004)
(5) Establishment, enrichment and use of credit risk database.	To elaborate portfolio analysis by data arrangement and to enhance risk management scheme.	To initiate portfolio management and enhance credit risk management scheme.	To try to actually perform portfolio management and overhaul credit risk assessment method.	<ul style="list-style-type: none"> • Improved portfolio management by establishing credit guidelines based on credit ratings and for each type of industry. • Overhauled credit guidelines • Verified credit rating systems. 	<ul style="list-style-type: none"> • Periodically verified performance status of credit limit guidelines by credit ratings and types of industry. • Conducted a review of credit guidelines by credit ratings and types of industry. 	<ul style="list-style-type: none"> • To put into practice portfolio management by type of industry and by credit ratings (from 1st half of FY 2003) • To verify credit rating system (from 2nd half of FY 2003) • To overhaul credit risk assessment method.
5. Arrangement of explanation system, reinforcement of functions for consultation and claim handling						
(1) Improvement in the Bank's stance to explain to customers about important matters such as details of Loan Agreement and/or Guarantee Agreement, which is obligated by Banking Law and other related laws.	To conduct a thorough employee education and to reinforce on-site guidance to be performed by HO staff at branches	To revise Compliance Manual and conduct a thorough employee education	To conduct a thorough employee education through various training sessions and on-site guidance by HO staff at branches	<ul style="list-style-type: none"> • Thoroughly instructed all branches to make sure to comply with rules of accountability especially when loan applications are turned down through credit regional meetings 	<ul style="list-style-type: none"> • Headquarter conducted examinations whether accountability rules are observed 	<ul style="list-style-type: none"> • To revise Compliance Manual (from 1st half of FY 2003) • To conduct a thorough employee education through various training sessions and on-site guidance by HO staff at branches • To fully keep employees informed about accountability through meetings and/or documented head quarter instructions
(3) Reinforcement of consultation and claim handling system	To improve reporting system of complaints and claims, and to strengthen measures to prevent their recurrence	To participate in and make use of Regional Finance Facilitation Conference. To make sure to have employees report customers' claims to the head quarter.	To carry out preventive measures for claims.	<ul style="list-style-type: none"> • Reinforced a system to prevent recurrence of customers' claims through revision of claims and troubles report form. • Participated in Regional Finance Facilitation Meeting and discussed receiving status of claims from customers via "Hot Line" for bank's reluctance to lend and credit withdrawal". • Reviewed rules regarding preparation of advertisement materials • Ensured branches to prevent practices of "reluctance to lend, and credit withdrawal". 	<ul style="list-style-type: none"> • Attended Regional Finance Facilitation Meeting and discussed thereceiving status of claims from customers via "Hot line" for bank's reluctance to lend and credit withdrawal". 	<ul style="list-style-type: none"> • To improve customer services by centralizing all claims and troubles raised by customers in the past at "Customer Service Office" of General Administration Department and by having the Office analyze them. • To use information provided by Regional Finance Facilitation Meetings or Regional Banks Association of Japan.

Item	Specific actions	Schedule		Progress Status		Remarks (Details of Plan)
		FY 2003	FY 2004	2003/4 ~2004/9	2004/4 ~2004/9	
6. Disclosure of progress status	To publicly announce the progress status of this function reinforcement plan every half fiscal year.	The same as on the left	The same as on the left	<ul style="list-style-type: none"> Publicly announced overall progress status and its evaluation results, and summary of progress status. Posted performance in disclosure journals and in HP 	<ul style="list-style-type: none"> Released the performance results of fiscal year 2003 when financial statement as of March 31, 2004 is publicly announced. Posted performance in HP (Both in May 2004) 	To publicly announce the full year performance when financial statements are disclosed in May and half yearly performance when financial statements are disclosed in November.
II. Efforts to secure soundness of financial institutions and to achieve profitability improvement						
I. Reinforcement of asset assessment and credit risk management						
(1) Proper self-assessment and charge-off/reserve	To conduct thorough employee educations by training sessions, on-site guidance by HO staff and audit, and to improve assessment system.	To try to verify and improve self-assessment and charge-off/reserve methods.	The same as on the left	<ul style="list-style-type: none"> Provided thorough education for self-assessment procedures at Lending Business Skill Up Training Revised "rules for self-assessment, write-off, and provision of reserve for credit claims" Ensured employees to understand points to be noted for credit management 	<ul style="list-style-type: none"> Implemented analysis of differences between the first and second assessments and provided instruction to improve practices. Ensured appropriate self-assessment practices at the Lending Business Skill Up Training. Revised "rules for self-assessment, write-off and provision of reserve for credit claims" and ensured employees to understand points to be noted for credit management. 	<ul style="list-style-type: none"> To conduct thorough employee educations and to level up their skill by training sessions, on-site guidance by HO staff at branches, and assessment audit. To carry out a strict and periodical maintenance of rules and regulations, standards, and a credit support system.
(1) Rationality of collateral assessment method and strict verification of assessment accuracy based on disposal results.	To strictly carry out collection of examples and comparative verification aiming toward improvement in accuracy.	To collect collateral disposal examples from all branches and conduct strict collateral assessment.	The same as on the left	<ul style="list-style-type: none"> Verified disparity between the amounts of actual collateral sales and its valuation amount Reinforced a verification system for improving the accuracy of collateral evaluation 	<ul style="list-style-type: none"> Conducted verification for the accuracy of collateral evaluations. 	<ul style="list-style-type: none"> To collect collateral disposal examples from all over the branches and to conduct strict collateral assessment. To review and overhaul assessment method if there occurs divergences.

Item	Specific actions	Schedule		Progress Status		Remarks (Details of Plan)
		FY 2003	FY 2004	2003/4 ~2004/9	2004/4 ~2004/9	
2. Improvement in profit management system and enhancement of profitability						
(2) Accumulation of credit risk data, construction of in-house rating system consistent with borrowers' classification and improvement in in-house standards for interest-rate setting	To help customers understand more about interest-rate setting practices	To formulate loan interest-rate setting policy and strictly conduct monthly check for improvement status.	To continue pricing negotiations based on the previous year's performance result.	<ul style="list-style-type: none"> Notified all branches of Loan Interest Rate Policy for every fiscal year and made them fully understand it. 	<ul style="list-style-type: none"> Formulated "Loan Interest Policy for the FY 2004" and make branches fully aware of it. Continued negotiations for improvement in loan interest 	<ul style="list-style-type: none"> To formulate loan interest policy reflecting on credit risk data. To have HO staff provide guidance on individual credit item.
4. Disclosure of information concerning contribution to the community						
(1) Disclosure of information concerning contribution to the community	To enrich articles carried in Disclosure Journal and IR activities, and to try to improve disclosure of various indices related to the Prefecture.	To study disclosure items of Prefecture related indices and to try to enrich the disclosing contents.	To enrich disclosing contents (in Disclosure Journal, for IR activities, etc.)	<ul style="list-style-type: none"> Carried an article stating status of lending activities inside and outside of the Prefecture in Disclosure Journals Held an IR meeting for personal investors in the Prefecture totally four times. Posted in HP a summary version of Relationship Banking Function Reinforcement Plan and its progress status. 	<ul style="list-style-type: none"> Carried information regarding regional contribution and enterprise rehabilitation support status of the Bank in the Disclosure Journal and HP. Held IR meeting for personal investors in the Prefecture two times (200 investors participated). 	<ul style="list-style-type: none"> To study and disclose disclosure items (from 2nd half of FY 2003) To enrich Disclosure Journal, IR, and the Internet Home Page (from 2nd half of FY 2003) To verify whether such items are easy to understand and improve them if needed (in FY 2004). <p>* IR (Investors Relations): Publicity for investors</p>

(Remark) The number of individual plan items ... 27

I Actions aiming to revitalize finance for small businesses

2. Reinforcement of management consultation services and support functions

- (3) Actions to make loans under observation normal and sound, to improve and reinforce systems to prevent additional emergence of nonperforming loans, and to announce such effort result.

Specific actions		<ul style="list-style-type: none"> To reinforce support for customers in their formulation of management plan, and to enhance the level of know how of account officers and officers in charge of credit examination. To publicly announce customers for which classifications are upgraded.
Schedule	FY 2003	<ul style="list-style-type: none"> To assist customers in formulating their management improvement plan. To hold management seminars by types of industry
	FY 2004	<ul style="list-style-type: none"> To check performance status and recommend measures for further improvement
Remarks (details of plan)		<ul style="list-style-type: none"> To assist customers in formulating management improvement plans under the leadership of Business Revitalization Supporting Group in the Credit Supervision Department To conduct credit examination and provide progress support based on documented management improvement plans (in FY 2004) To publicly announce the number of customers for which ranks were upgraded (from first half of FY 2003 and beyond , every half year)
Progress status		
	(1) Status of organizational arrangement to support customers' management improvement (including departments responsible for the support) From 4/2003 to 9/2004	<ul style="list-style-type: none"> A "Business Revitalization Support Group" was established in the Credit Supervision Department No.1 in June 2003, which aims mainly to assist for the formulation of high-priority management improvement plan by borrowers under close observation and to support business branches. It assisted for planning efforts made by 211 borrowers. Credit Supervision No.2 is supporting 243 borrowers from 85 groups through its Special Examination Team. "Business Revitalization Support Group" of the Credit Supervision Department No.1 almost accomplished its assistance for management improvement planning efforts by its customers in February 2004. Therefore it is now focusing on the support for the implementation of their plans with 9 staff members (reduced from 15). In June 2004, two Credit Supervision Departments were reorganized into Credit Department and Business Consulting Office. Credit Department is responsible for 321 borrowers with business branches through reinforcement of its examination systems by types of industry. While Business Consulting Office is made responsible for 39 groups including 123 borrowers.
	4/2003~9/2004	<ul style="list-style-type: none"> In June 2004, two Credit Supervision Departments were reorganized into Credit Supervision Department and Corporate Consulting Office. Credit Supervision Department is responsible for 321 borrowers with business branches through reinforcement of its examination systems by types of industry. While Corporate Consulting Office is made responsible for 39 groups including 123 borrowers.
	(2) Status of actions taken for management improvement support 4/2003 ~9/2004	<p><Action policy> The Bank will make great efforts to support ailing borrowers in their formulation of management improvement plans and tried hard to improve their earning results.</p> <p><Specific activities></p> <ul style="list-style-type: none"> The Bank positioned Fiscal Year of 2003 and 2004 as an "Intensive Action Period" in line with the Intensive Campaign Period for improving relationship banking, and implemented a "Project to Improve Assets". Business branches, Credit Supervision Department and Consulting Office takes actions partnering with each other by setting up improvement goals for each customer. The Bank plans to lower the nonperforming loan ratio to below 7percent by the FY ending March 31, 2005. <p><Improvement results></p> <ul style="list-style-type: none"> With formulation and implemenmtation of management improvement plans, favorable results are recognized such as improvement in cash flows, improvement in funding positons, and returning to profitability. The ratio of loans disclosed under the Financial Revitalization Law was 7.35% as of September 30, 2004, improved 2.19% from March 31, 2003. <p><Issues to be addressed></p> <ul style="list-style-type: none"> To proceed with rehabilitation plans preventing emergence of credit crunch. To improve a level of rehabilitation knowhow and to share it with each other. To check the implementation progress of management improvement plans, to conduct periodic
4/2004 ~ 9/2004	<ul style="list-style-type: none"> Checked the implementation progress of management improvement plan and promoted branch support activities. Seminars by types of industry were held three times, each for brewing industry, manufacturing industry, and retail business. 	

Action results of management improvement support
[4/2003 ~9/2004]

(Unit: Number of Customers)

		The number of borrowers at the beginning of the FY	Customers supported for their management improvement α	Of α , the number of upgraded customers by the FY end	
				β	γ
	Customers in normal operations	21,111	24		16
Customers under close observation	Customers under close observation (not substandard)	5,098	160	24	89
	Customers under close observation (substandard)	1,356	147	44	72
	Customers likely to become bankrupt	1,815	110	29	60
	Customers virtually bankrupt	839	10	1	7
	Customers legally bankrupt	183	3	2	0
	Total	30,402	454	100	244

Note: The number of borrowers at the beginning of the FY and customers supported for their management improvement are those compiled

[First Half of FY 2004 (4/2004 ~9/2004)]

(Unit: Number of Customers)

		The number of borrowers at the beginning of the FY	Customers supported for their management improvement	Of α , the number of upgraded customers by the FY end	
				β	γ
	Customers in normal operations	20,644	38		34
Customers under close observation	Customers under close observation (not substandard)	5,096	134	16	103
	Customers under close observation (substandard)	1,155	138	27	96
	Customers likely to become bankrupt	1,586	112	15	78
	Customers virtually bankrupt	551	15	1	13
	Customers legally bankrupt	104	7	0	4
	Total	29,136	444	59	328

Note: The number of borrowers at the beginning of the FY and customers supported for their management improvement are those compiled

Statistics

1. Credit facilities extended to the regional community

Overall loan business

(1) Loans and bills discounted (balance at fiscal year end) (100 millions of yen, %)

	As of September 30, 2004 (A)		As of March 31, 2004 (B)	As of Sept. 30, 2003 (C)	
		Inc/Dec (A) - (B)			Inc/Dec (A) - (C)
Total loans and bills discounted	37,345	(194)	(298)	37,539	37,643
By branches in Nagano	25,736	(309)	(297)	26,046	26,034
Share of Nagano /	68.9	(0.4)	(0.2)	69.3	69.1

(2) Loan breakdown by type of industry of borrower

Domestic branches

(100 millions of yen)

	As of September 30, 2004 (A)		As of March 31, 2004 (B)	As of Sept. 30, 2003 (C)	
		Inc/Dec (A) - (B)			Inc/Dec (A) - (C)
Loans by domestic branches	37,309	(186)	(271)	37,496	37,581
Manufacturing industry	7,273	(113)	(375)	7,387	7,649
Agriculture	247	58	14	189	233
Forestry	4	0	0	4	4
Fishery	13	0	0	13	14
Mining industry	51	(5)	(9)	56	60
Construction	2,251	(216)	(210)	2,468	2,461
Electricity, gas, waterworks	247	(50)	(52)	298	299
Information and telecommunications	260	(39)	(71)	300	331
Transportation	1,164	16	11	1,148	1,153
Wholesale and retail businesses	5,547	11	(237)	5,536	5,784
Banks and other financial institutions	1,914	(123)	(281)	2,037	2,195
Real estate	2,933	(19)	104	2,952	2,828
Various services	5,704	90	123	5,614	5,580
Local public sector	1,690	(106)	55	1,796	1,634
Others	8,006	314	657	7,692	7,349
(For personal customers)	7,283	212	455	7,070	6,828
(For central government)	662	99	292	563	370

Note: Loans by overseas branches and for JOM are not included in the above outstanding balances.

Loans by branches in Nagano Prefecture

(Millions of yen)

	As of September 30, 2004 (A)			As of March 31, 2004 (B)	As of Sept. 30, 2003 (C)
		Inc/Dec (A) - (B)	Inc/Dec (A) - (C)		
Loans by branches in Nagano	25,736	(309)	(297)	26,046	26,034
Manufacturing industry	4,947	(78)	(304)	5,025	5,251
Agriculture	233	55	12	177	221
Forestry	4	0	0	4	4
Fishery	3	0	0	3	4
Mining industry	39	(6)	(9)	46	49
Construction	1,775	(190)	(187)	1,965	1,962
Electricity, gas, waterworks	14	0	(1)	14	15
Information and telecommunications	131	(3)	1	134	130
Transportation	616	(1)	(30)	618	647
Wholesale and retail businesses	3,378	(63)	(141)	3,442	3,520
Banks and other financial institutions	274	(138)	(148)	412	422
Real estate	1,749	(28)	50	1,778	1,699
Various services	4,065	32	(33)	4,033	4,099
Local public sector	1,664	(96)	57	1,760	1,606
Others	6,837	210	437	6,627	6,399
(For personal customers)	6,812	204	427	6,608	6,385

Loan business for small and midsize companies

(1) Loans to small and midsize companies

Loans by domestic branches

(Millions of yen)

	As of September 30, 2004 (A)			As of March 31, 2004 (B)	As of Sept. 30, 2003 (C)
		Inc/Dec (A) - (B)	Inc/Dec (A) - (C)		
Outstanding balance of loans to small & midsize companies (A)	25,032	(104)	259	25,137	24,772
Total outstanding loans (B)	37,309	(186)	(271)	37,496	37,581
As a percentage of total outstanding loans (A)/(B) (%)	67.0	0.0	1.1	67.0	65.9
The number of small & midsize borrowers (C)	237,374	(549)	(2,562)	237,923	239,936
The number of all borrowers (D)	238,119	(553)	(2,560)	238,672	240,679
Ratio of small and midsize borrowers (C)/(D) (%)	99.6	0.0	0.0	99.6	99.6

Note: 1. Loans by overseas branches and for JOM are not included in the above outstanding balances.

2. Small & midsize company means a company with a capital of ¥300 million or less (provided, that in case of wholesaler, ¥100 million, and in case of retailer and service company, ¥50 million), or with permanent employees of 300 or less (likewise in case of wholesaler, 100, in case of retailer, 50 and for service company, 100).

Loans by branches in Nagano

(Millions of yen)

	As of September 30, 2004 (A)			As of March 31, 2004 (B)	As of Sept. 30, 2003 (C)
		Inc/Dec (A) - (B)	Inc/Dec (A) - (C)		
Outstanding balance of loans to small & midsize companies (A)	21,307	(133)	17	21,441	21,290
Total outstanding loans (B)	25,736	(309)	(297)	26,046	26,034
As a percentage of total outstanding loans (A)/(B) (%)	82.7	0.4	1.0	82.3	81.7

The number of small & midsize borrowers	(C)	226,260	(426)	(2,289)	226,686	228,549
The number of all borrowers	(D)	226,548	(432)	(2,303)	226,980	228,851
Ratio of small and midsize borrowers	(C)/(D) (%)	99.8	0.0	0.0	99.8	99.8

(2) Outstanding balance of loans guaranteed by Credit Guarantee Association

Loans by branches in Nagano

(Millions of yen)

	As of September 30, 2004 (A)			As of March 31, 2004 (B)	As of Sept. 30, 2003 (C)
		Inc/Dec (A) - (B)	Inc/Dec (A) - (C)		
Loans guaranteed by Credit Guarantee Association	3,045	(54)	158	3,100	2,886

Personal loan businesses

Outstanding balance of consumer loans

Total

(Millions of yen)

	As of September 30, 2004 (A)			As of March 31, 2004 (B)	As of Sept. 30, 2003 (C)
		Inc/Dec (A) - (B)	Inc/Dec (A) - (C)		
Balance of consumer loans	8,144	205	453	7,939	7,691
Housing loans	7,016	251	523	6,765	6,493
Other consumer loans	1,128	(45)	(69)	1,173	1,198

Consumer loans by branches in Nagano

(Millions of yen)

	As of September 30, 2004 (A)			As of March 31, 2004 (B)	As of Sept. 30, 2004 (C)
		Inc/Dec (A) - (B)	Inc/Dec (A) - (C)		
Balance of consumer loans	7,545	198	422	7,346	7,123
Housing loans	6,523	241	490	6,282	6,032
Other consumer loans	1,022	(42)	(68)	1,064	1,090

(%)

Share of Nagano	/	92.6	0.1	0.0	92.5	92.6
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2. Convenience made available to customers in the regional community

Deposits (outstanding balances)		(Millions of yen, %)			
	As of September 30, 2004 (A)		As of March 31, 2004 (B)	As of Sept. 30, 2003 (C)	
		Inc/Dec (A) - (B)			Inc/Dec (A) - (C)
Total deposits	50,746	111	22	50,635	50,724
With branches in Nagano	45,861	42	(144)	45,818	46,006
Share of Nagano branches /	90.3	(0.1)	(0.3)	90.4	90.6

Personal financial assets (outstanding balance)		(Millions of yen, %)			
	As of September 30, 2004 (A)		As of March 31, 2004 (B)	As of Sept. 30, 2003 (C)	
		Inc/Dec (A) - (B)			Inc/Dec (A) - (C)
Balance of Personal financial assets	38,947	612	1,038	38,334	37,908
With branches in Nagano	36,338	580	967	35,758	35,371
Share of Nagano branches /	93.3	0.1	0.0	93.2	93.3

Breakdown of outstanding balance of financial assets with branches in Nagano		(Millions of yen)			
	As of September 30, 2004 (A)		As of March 31, 2004 (B)	As of Sept. 30, 2003 (C)	
		Inc/Dec (A) - (B)			Inc/Dec (A) - (C)
Yen deposits	32,422	10	(105)	32,411	32,527
Foreign currency deposits	251	(2)	37	254	214
Investment trusts	809	211	353	598	455
Public bonds (Government bonds, etc.)	2,855	361	682	2,493	2,173
Total	36,338	580	967	35,758	35,371